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January 9, 2008

**VIA ELECTRONIC FILING**
**HAND DELIVERED ORIGINALS**

Mr. Charles Terreni, Chief Clerk of the Commission
Public Service Commission of South Carolina
Synergy Business Park, Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

**Re: Application of Duke Energy Carolinas, LLC for approval of Energy Efficiency Plan Docket No. 2007-358-E**

Dear Mr. Terreni:

Enclosed for filing please find Supplemental Exhibits 1 and 2 to Duke Energy Carolinas' Response to Southern Environmental Law Center's Interrogatories and Request for Production and Motion for Confidential Treatment of Selected Responses. These supplemental exhibits are the official versions of testimony of Ed Ernest and the testimony of Barbara G. Yarbrough received from the Department of Archives. The Exhibits should be filed with both the "Public" version and the "Confidential" version of the Responses filed yesterday.

An original and two copies of each are included for filing. Please date-stamp the extra copies as proof of filing and return them with our courier. If you have any questions, please have someone on your staff contact me.

Yours truly,

ROBINSON, MCFADDEN & MOORE, P.C.

Frank R. Ellerbe, III

FRE/tch
Enclosures
cc/enc: Catherine E. Heigel, Assistant General Counsel (via email and US Mail)
Nanette Edwards, Chief Counsel (via email and US Mail)
Scott Elliott, Esquire (via email and US Mail)
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STATE OF SOUTH CAROLINA )

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Application of

Duke Energy Carolinas, LLC
for Approval of Energy Efficiency Plan Including an Energy Efficiency Rider and Portfolio of Energy Efficiency Programs.

COVER SHEET

DOCKET
NUMBER: 2007-358-E

(Please type or print)


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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

## DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☒ Other:

| INDUSTRY (Check one) | NATURE OF ACTION (Check all that apply) | | |
|---|---|---|---|
| ☒ Electric | ☐ Affidavit | ☐ Letter | ☐ Request |
| ☐ Electric/Gas | ☐ Agreement | ☐ Memorandum | ☐ Request for Certificatio |
| ☐ Electric/Telecommunications | ☐ Answer | ☐ Motion | ☐ Request for Investigatior |
| ☐ Electric/Water | ☐ Appellate Review | ☐ Objection | ☐ Resale Agreement |
| ☐ Electric/Water/Telecom. | ☐ Application | ☐ Petition | ☐ Resale Amendment |
| ☐ Electric/Water/Sewer | ☐ Brief | ☐ Petition for Reconsideration | ☐ Reservation Letter |
| ☐ Gas | ☐ Certificate | ☐ Petition for Rulemaking | ☐ Response |
| ☐ Railroad | ☐ Comments | ☐ Petition for Rule to Show Cause | ☒ Response to Discovery |
| ☐ Sewer | ☐ Complaint | ☐ Petition to Intervene | ☐ Return to Petition |
| ☐ Telecommunications | ☐ Consent Order | ☐ Petition to Intervene Out of Time | ☐ Stipulation |
| ☐ Transportation | ☐ Discovery | ☐ Prefiled Testimony | ☐ Subpoena |
| ☐ Water | ☐ Exhibit | ☐ Promotion | ☐ Tariff |
| ☐ Water/Sewer | ☐ Expedited Consideration | ☐ Proposed Order | ☐ Other: |
| ☐ Administrative Matter | ☐ Interconnection Agreement | ☐ Protest | |
| ☐ Other: | ☐ Interconnection Amendment | ☐ Publisher's Affidavit | |
| | ☒ Late-Filed Exhibit | ☐ Report | |

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2007-358-E**

**January 8, 2008**

| | | |
|---|---|---|
| In re: | ) | **DUKE ENERGY CAROLINAS' RESPONSES TO SOUTHERN ENVIRONMENTAL LAW CENTER INTERROGATORIES AND REQUESTS FOR PRODUCTION AND MOTION FOR CONFIDENTIAL TREATMENT OF SELECTED RESPONSES** |
| Application of Duke Energy Carolinas, LLC For Approval of Energy Efficiency Plan Including an Energy Efficiency Rider and Portfolio of Energy Efficiency Programs | ) | |

# SUPPLEMENTAL EXHIBIT 1

# TESTIMONY OF H. ED ERNST, JR. FOR DUKE POWER CO. DOCKET NO. 92-208-E

This document is an exact duplicate, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions

TESTIMONY
OF
H. ED ERNST, JR.
FOR
DUKE POWER COMPANY

**Docket No. 92-208-E**
**Before The Public Service Commission of South Carolina**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION WITH DUKE POWER COMPANY.**

A. My name is H. Ed Ernst, Jr. My business address is 526 South Church Street, Charlotte, North Carolina. I am Manager, Energy Products Planning for Duke Power Company. My responsibilities include the planning and economic analysis for the Company's demand-side programs, as well as economic analysis, budget, and administrative support for the Company's marketing and sales activities.

**Q. PLEASE SUMMARIZE BRIEFLY YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.**

A. I received a Bachelor of Science degree in Electrical Engineering in 1975 from North Carolina State University, a Master of Engineering in Electric Power Engineering from Rensselaer Polytechnic Institute in 1976, and a Master of Business Administration from the University of North Carolina at Charlotte in 1981. In June, 1976, I was employed by Duke in the Operating Department as an Operating Engineer. Following my employment, I progressed through a number of assignments which included software development, employee training, and engineering support for the daily operations of Duke's bulk generation and transmission facilities. In 1989, I became Manager of Transmission

Planning in the System Planning Department. In 1990, I was named Manager of Power Supply with the responsibility for the daily operations of Duke's bulk generation and transmission facilities. I was named Manager, Demand-Side Planning in 1991 and Manager of Energy Products Planning in 1992. I have served as an industry advisor on both the Electric Power Research Institute (EPRI) Power System Planning and Operation Task Force and Demand-Side Management Task Force. I am a registered Professional Engineer in the states of North Carolina and South Carolina.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

A. The purpose of my testimony is to describe Duke's Integrated Resource Planning (IRP) process and to demonstrate how Duke's IRP process results in a cost-effective mix of resources to meet customers' electricity needs. I will also describe Duke's Air Conditioning Load Control Program (A/C Load Control) and how the Air Conditioning Load Control Program was analyzed in Duke's IRP process. Finally, I will explain how the IRP analysis showed that the Air Conditioning Load Control would be too costly to continue at the current credit level. This Commission has set forth the requirements for utilities to perform integrated resource planning and has established the objective for the process and "the development of a plan that results in the minimization of long run total costs of the utility's system and produces the least cost for the customer . . ." The need to modify the Air Conditioning Load Control credits to benefit all customers is a result of Duke's IRP process. Therefore, it is important for the Commission to allow Duke to modify the credits in order to be consistent with integrated resource planning requirements.

**Q. PLEASE BRIEFLY DESCRIBE THE INTEGRATED RESOURCE PLANNING PROCESS AT DUKE POWER COMPANY AND YOUR ROLE IN THE IRP PROCESS.**

A. Integrated Resource Planning is the process of integrating demand-side management (DSM), supply-side, and purchased power resource options to provide the best resource plan to meet the Company's electric demand and energy requirements with consideration of uncertainties which may impact these requirements. My role in the IRP process is to develop and analyze the DSM options to be considered for inclusion in the IRP process.

**Q. PLEASE DESCRIBE THE INTEGRATION PROCESS.**

A. Following the annual development of long range forecast of customer needs for electricity, the integration process begins with a base supply-side plan which is the lowest total cost mix of supply-side resources which meets the projected energy and capacity needs including a 20% minimum planning reserve margin. Lowest total cost is measured by minimization of present worth of revenue requirements over the planning horizon. The 20% minimum planning reserve margin has been deemed an appropriate planning consideration by this Commission.

**Q. PLEASE DESCRIBE HOW DEMAND-SIDE PLANNING RESOURCES ARE CONSIDERED?**

A. Once a base supply-side plan has been established, demand-side options are examined which may alter this base plan. Demand-side options are identified through customer research to identify customer needs. Each demand-side option is then analyzed using the Commission-approved economic analysis tests. For each option, a benefit/cost ratio is determined by examining benefits and costs of the option through the program life.

Based on the results of this benefit/cost analysis, programs are either included in or excluded from Duke's preliminary plan.

**Q. IS THE INTEGRATION PROCESS COMPLETE ONCE THE PRELIMINARY PLAN IS COMPLETED?**

A. No. The preliminary plan is then subjected to a risk assessment process which analyzes potential changes to the plan results caused by an uncertain future. Examples of uncertainties which Duke considers include changes in capacity factors of existing generating units, changes in forecasted load growth, changes in capital costs of new generating units, changes in fuel costs, and new environmental regulations. Duke may use the risk assessment results to initiate contingency planning for demand-side, supply-side or purchased power resources. The integrated resource plan is then complete and is filed with the Commission in the form of an Integrated Resource Plan or Short-Term Action Plan. From this plan, Duke implements the resource options necessary to implement the plan. These options may include supply-side, purchased, or demand-side resources.

**Q. PLEASE DESCRIBE THE TYPES OF DEMAND-SIDE MANAGEMENT PROGRAMS DUKE UTILIZES.**

A. There are four categories of programs:

1) Energy Efficiency: Options that reduce customer operating costs and Duke's system demand and energy needs. An example is a program which promotes high efficiency air conditioning equipment.

2) Interruptible: Options that reduce Duke's system peak demand by interrupting all or part of participating customers' electrical service. An example is Duke's

Air Conditioning Load Control Program.

3) Load Shifting: Options that reduce Duke's system peak demand by shifting energy use to off-peak times. An example is Duke's Coo|Storage Pilot Program.

4) Strategic Sales: Options that encourage the installation of efficient electric technologies which provide a direct benefit to customers and provide additional revenue to the utility. An example is Duke's Food Service Program.

**Q. PLEASE EXPLAIN THE POSITIVE EFFECTS OF DUKE'S DEMAND-SIDE PROGRAMS ON CUSTOMERS AND THE UTILITY.**

A. Demand-side programs benefit Duke and its customers. These programs benefit customers by either providing participating customers with ways to lower their electric bills or helping customers meet energy needs when customers use efficient electric technologies. Duke seeks to offer a range of programs to meet the varying needs of its customers. The demand-side programs benefit the utility by deferring the need for new generation or by providing increased revenues. Each of the four types of programs is important in meeting customer electric needs in a low cost manner.

**Q. PLEASE PROVIDE ADDITIONAL INFORMATION ON THE BENEFITS OF DUKE'S INTERRUPTIBLE PROGRAMS.**

A. Interruptible demand-side programs such as Interruptible Service or Air Conditioning Load Control provide bill credits to customers to interrupt their use of electricity at any time the Company has capacity problems. The bill credits reduce participating customers' electric bills. Interruptible programs reduce load at a cost lower than the cost to build new generating capacity. In other words, the bill credits plus the cost to administer the program are lower in cost than building a new combustion turbine unit.

Therefore, these programs defer the need for new supply-side resources. This resource deferral results in lower utility costs.

**Q. ARE DEMAND-SIDE PROGRAMS FORMALLY EVALUATED FOR COST-EFFECTIVENESS BY DUKE?**

A. Yes. Duke uses economic test to evaluate demand-side programs. These tests are standard tests used by the electric utility industry and have been subject to review by this Commission.

**Q. PLEASE NAME AND DESCRIBE THE ECONOMIC TESTS WHICH ARE APPLIED TO THE INTERRUPTIBLE OPTIONS.**

A. The Total Resource Cost (TRC) test measures the net costs of demand-side options as resources based on the option's total cost, which includes participants' costs and utility's costs. The Utility Cost Test (UCT) measures net costs of demand-side options as resources based on the company's costs, including incentive payments. The Rate Impact Measure (RIM) test measures the effect of demand-side options on utility rates by analyzing the changes in utility revenues and operating costs. For interruptible options, the Company looks at the avoided cost of capacity and energy due to these programs versus the costs of these programs. Specifically, the Company uses the RIM, TRC and UCT tests to determine the cost-effectiveness of these options.

**Q. WHAT IS THE PURPOSE OF THE AIR CONDITIONING LOAD CONTROL PROGRAM AND HOW DOES IT FIT INTO DUKE'S OVERALL MIX OF DSM PROGRAMS?**

A. The Residential Air Conditioning Load Program offers residential customers a monthly bill credit for the four summer billing months of July through October. In exchange for

the credit, participants allow Duke Power to interrupt service to their central air conditioning (cooling) systems any time the company has capacity problems. The program allows Duke to reduce peak demand during capacity problem situations and reduce the need for future generation. The Air Conditioning Load Control Program helps Duke to manage the amount of peaking generation resources it needs to meet customers' needs in a reliable and cost-effective manner.

**Q. PLEASE SUMMARIZE DUKE'S ANALYSIS OF THE AIR CONDITIONING LOAD CONTROL PROGRAM.**

A. The assumptions and input data used to model the program in Duke's IRP process are contained in the standard DSM program filing information as an attachment to Duke's March 9, 1994 letter requesting approval to modify the AC Load Control credits.

Currently, customers participating in the Residential Air Conditioning Load Control Program receive a monthly bill credit of $3.25 per KW of full load nameplate compressor capacity for the four summer billing months of July through October. The average credit is $15.80 per month for the four summer billing months. Based on 1992 Program Evaluation results, Duke determined that the Residential Air Conditioning Load Control Program requires modification. The cost of the program (bill credits, program administration, equipment costs, etc.) outweighs the long-term benefits of avoided capacity and energy this program provides. The primary factor affecting program cost effectiveness is the level of credit paid compared to the benefit received. As a result, Duke redesigned the Residential Load Control Program and developed a credit structure that was comparable to the benefit received.

As a result of Duke's program redesign, the credit structure was revised to pay a flat credit of $8 per month per home for the four billing months of July, August, September, and October. Duke proposed to implement the revised credit effective January 1, 1995 for all current program participants and June 1, 1994 for all new customer additions. The credit was based on the current program costs and the resulting production cost and deferred capacity costs savings as a result of the program. Also, Duke compared the current level of credit paid by other utilities for similar programs and conducted research with residential customers to test various cost-effective credit levels and formats. Based on the proposed credit revisions, the expected benefit/costs ratios are as follows:

| | RIM TEST | UTILITY TEST | TRC TEST |
|---|---|---|---|
| EXISTING CUSTOMERS | 1.44 | 1.44 | 3.44 |
| INCREMENTAL ADDITIONS | 1.06 | 1.06 | 1.58 |
| **TOTAL PROGRAM** | 1.27 | 1.27 | 2.42 |

**Q. WHAT HAS CHANGED THAT IS NOW CAUSING DUKE TO PROPOSE TO LOWER THE CREDIT?**

A. The current credit levels were established in 1981. Since that time several thing have happened which are now resulting in a need to lower the credit.

1) More efficient equipment being installed today means that the average air-conditioning unit provides a lower kilowatt demand reduction and, therefore, less benefit to Duke than in 1981.

2) The Company has developed a better understanding of the actual benefits that load control provides in terms of reduced need for peaking capacity.

3) Costs for generating capacity, such as combustion turbines, are decreasing and, to be cost-effective, A/C load control credits must also decrease.

**Q. WHAT ARE THE BENEFIT/COST RATIOS IF THE CREDIT IS NOT MODIFIED FOR EXISTING CUSTOMERS?**

A. The impact of such a proposal based on current data would reduce the benefit/cost ratio to 0.92 for RIM and UCT as opposed to the 1.27 as filed in March 1994. Therefore, the program is not cost-effective at the current level.

**Q. WHEN YOU SAY THE PROGRAM IS NOT COST-EFFECTIVE AT THE CURRENT LEVEL, WHAT DO YOU MEAN? COST-EFFECTIVE FOR WHOM?**

A. If we continue to pay the current level of credits the program will ultimately result in higher rates for all of Duke's customers. Remember that the purpose of interruptible programs is to act as a substitute for peaking generation. A number of participating customers have complained about Duke's proposal to lower the A/C credits. Understandably, their motivation is their personal power bill. Duke must look at customers as a whole and make decisions based on what is best for all customers. Lowering A/C load control credits is in the best interest of all customers, even though it will lower the credit received by many participating customers. At the reduced level of credits, all customers (participants and non-participants) will eventually pay less per kwh of electricity than they would without the program.

**Q. WHAT ARE DUKE'S CONCERNS IF THIS COMMISSION DOES NOT ALLOW DUKE TO LOWER THE A/C LOAD CONTROL CREDITS?**

A. Duke believes that if it is not allowed to make the Air Conditioning Load Control program cost-effective by modifying the credits, the purpose of the IRP process will be

undermined. The objective of integrated resource planning as set forth by this Commission is "the development of a plan that results in the minimization of the long run total costs of the utility's overall system and produces the least cost to the consumer . . ." The process involves use of demand-side management programs to minimize system costs and costs to customers as a whole. The process also involves continuous examination of Duke's DSM programs to ensure the programs remain cost-effective. The request to change the A/C load control credits is a classic example of the IRP process at work. Duke offers A/C load control as part of its IRP process. The DSM program evaluation of the program indicated a need to modify the program to ensure future cost-effectiveness. If Duke is not allowed to modify DSM programs to make them cost-effective, the question must be asked why expend thousands of dollars to evaluate the programs.

**Q. WHY IS DUKE PROPOSING A FLAT CREDIT AS OPPOSED TO A CREDIT TIED TO EQUIPMENT SIZE AS IS CURRENTLY OFFERED?**

A. Ms. Yarbrough's testimony explains the administrative advantages of a flat credit. I will explain the technical basis for the $8 flat credit. The $8 flat credit is based on typical air conditioning unit sizes and operating conditions across the Duke system. If each participant was analyzed independently, each participant's contribution would be different. This is primarily due to lifestyle, thermostat settings, compressor sizes and equipment cycling. Offering credits based on each customer's specific contribution to the program would require detailed analysis of each customer which would add to the cost of the program. The most economical solution is to develop an average profile potential for all program participants and provide a single credit equal to the average condition.

**Q. WHAT IS ANNUAL COST IF DUKE IS NOT ALLOWED TO LOWER THE CREDIT?**

A. Duke would expend an additional $1,700,000 per year in credits based on 56,000 customers in South Carolina.

**Q. WHAT IS DUKE ASKING THIS COMMISSION TO DO?**

A. Duke is requesting that the Commission approve the changes in A/C Load Control Program as filed in Duke's March 9, 1994 filing in Docket Nos. 92-208-E and 79-166-E which requested approval of the changes to the Air Conditionining Load Control credit, and revise the credit level for all customers to $8 per month effective with the summer 1995 billings.

**Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

A. Yes.

**BEFORE**

**THE PUBLIC SERVICE COMMISSION OF**

**SOUTH CAROLINA**

**DOCKET NO. 2007-358-E**

**January 8, 2008**

| | | |
|---|---|---|
| In re: | ) | **DUKE ENERGY CAROLINAS' RESPONSES TO SOUTHERN ENVIRONMENTAL LAW CENTER INTERROGATORIES AND REQUESTS FOR PRODUCTION AND MOTION FOR CONFIDENTIAL TREATMENT OF SELECTED RESPONSES** |
| Application of Duke Energy Carolinas, LLC For Approval of Energy Efficiency Plan Including an Energy Efficiency Rider and Portfolio of Energy Efficiency Programs | ) | |

# SUPPLEMENTAL EXHIBIT 2

# TESTIMONY OF BARBARA G. YARBROUGH FOR DUKE POWER CO. DOCKET NO. 92-208-E

**This document is an exact duplicate, with the exception of the form of the signature, of the e-filed copy submitted to the Commission in accordance with its electronic filing instructions**

TESTIMONY OF
BARBARA G. YARBROUGH
FOR
DUKE POWER COMPANY
SCPSC DOCKET NO. 92-208-E

Q. PLEASE STATE YOUR NAME, ADDRESS AND POSITION WITH DUKE POWER COMPANY.

A. My name is Barbara G. Yarbrough and my business address is 526 S. Church Street, Charlotte, North Carolina. I am Manager, Rate Administration for Duke Power Company.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES IN THIS POSITION.

A. I am responsible for directing the proper administration of Duke's rate schedules and service regulations, and the Public Service Commission's rules and regulations. Additionally, I am responsible for the investigation of customer complaints received through the Commission.

Q. HOW LONG HAVE YOU PERFORMED THESE DUTIES?

A. I have worked in Rate Administration for the last 15 years, the last four and a half years as Manager.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to describe the provisions of Duke's air conditioning load control program.

Q. PLEASE DESCRIBE WHEN AND HOW DUKE IMPLEMENTED ITS LOAD CONTROL PROGRAM.

A. In May 1979, Duke filed a proposal to add load control provisions to its standard residential rate schedules. These provisions allowed customers the option of having their electric water heaters and/or air conditioners interrupted at times when the Company experienced capacity problems. In exchange Duke would

give billing credits to customers. Participating customers received $2.00 per month per kilowatt of air conditioning each month for the four summer billing months of July - October. In order to establish the KW demand used to calculate the credit, Duke uses the compressor capacity listed on the air conditioner's nameplate. Credits were limited to 20% of the total bill exclusive of such credits. The Commission approved the load control provisions on Duke's residential rate schedules R, RW, RA and RC effective June 5, 1979. In 1981, the load control provisions were removed from the individual schedules and established as a separate Rider LC.

Q. HOW DID DUKE OPERATE LOAD CONTROL TO INTERRUPT SERVICE TO THE AIR CONDITIONING?

A. Duke installed power line carrier equipment in substations which would send a signal across the power line to a load control device installed on the customer's water heater or air conditioner. The signal would cause an interruption of service to the controlled equipment. When the capacity problem was over, another signal would restore service to the controlled equipment. Currently Duke uses a combination of the power line carrier system and a radio control system.

Q. WHAT DID THE CUSTOMER HAVE TO DO TO PARTICIPATE IN THE LOAD CONTROL PROGRAM?

A. In order to control equipment, an electrician had to install wiring and a meter enclosure in the customer's air conditioner circuit to house a load control device. Customers had the option

of having this wiring performed themselves or having Duke contract with an electrician to do the work for an installation fee stated in the rate.

Q. WERE CHANGES SUBSEQUENTLY MADE TO THE PROGRAM?

A. Yes. During the first year of the program Duke gained experience with load control and recognized a need to make significant changes to the program. In 1981, Duke proposed changes in the amount of the credits and the installation fee. The Commission approved the changes effective November 5, 1981. Duke's experience during the first few years of the program showed that the installation fee needed to be restructured and increased. As a result the fee was increased to $35 for installation of the wiring for control of either water heating or air conditioning and increased to $50 for the installation of wiring for customers who had water heating and air conditioning load control, provided the installation could be done at the same time. Based on the estimated value of the program to Duke at that time, the air conditioning credit was increased to $3.25 per kilowatt. In addition, the limitation on the maximum credit was raised to 35% of the customer's bill.

Q. IS THERE A CONTRACT PERIOD FOR LOAD CONTROL SERVICE?

A. Duke offers customers a contract for a period of two years, but the customer can discontinue the service after the first year without penalty. A copy of the current contract is attached as Exhibit 1. Previous contracts had similar contract terms. Duke chose the two years to help ensure that contracting customers

receive enough credits in the two years to more than offset their investment for the installation of the load control device(s).

Q. DOES DUKE'S CONTRACT WITH LOAD CONTROL CUSTOMERS ALLOW CHANGES IN THE CREDITS FOR AIR CONDITIONING LOAD CONTROL?

A. Yes. First, the contract's term is for two years. Within the terms of the contract the customer may terminate after the first year has passed, or Duke may terminate the agreement after two years. Second, each contract states that the provisions of the load control program may be modified from time to time. This language allows modification, upon Commission approval, of any terms and conditions. Such language is fairly standard in contracts for utility service recognizing that changes in rates, terms and conditions, must keep pace with costs and other factors as long as the rate is available. However, Duke has not elected to request a credit charge for customers who are currently within the first two years of their contract and who entered into that contract prior to Commission approval to lower the credit for new installations.

Q. DOES DUKE'S PROPOSAL INVOLVE DISCONTINUING AIR CONDITIONING LOAD CONTROL SERVICE FOR EXISTING CUSTOMERS?

A. No. Air conditioning load control remains an important resource for Duke, however, not at the level of credits Duke is currently paying. Duke's plan for implementing the proposed change in credits provides that all contracting customers receive a minimum of two years of credits at the $3.25 per KW level, even though a large number of customers within their initial term would have

recouped their investment in one year or less. Secondly, it is Duke's intent to continue to offer load control service at a lower credit to the modified customers whose initial contract has expired. The Commission has already approved Duke's proposal to pay $8.00 per month for load control to new customers applying for this service after September 12, 1994.

Q. HOW MANY CUSTOMERS CURRENTLY PARTICIPATE IN THE AIR CONDITIONING LOAD CONTROL PROGRAM?

A. A little over 56,000, about 15% of Duke's residential customers in South Carolina.

Q. WHY IS DUKE PROPOSING A FLAT CREDIT?

A. The flat credit is easier to explain to customers, many of whom do not understand the terms kilowatt and capacity. The $8 credit is clearer to a nonparticipating customer inquiring about entering the program. A flat credit is also clearer to participating customers who currently are confused when their credit is different than their neighbors' credit. Also, the flat credit is less expensive for Duke to administer. The current credit based on a KW value requires a field visit to verify the size and KW of the air conditioning unit. A flat credit would eliminate these costs and administrative problems.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2007-358-E

| | | |
|---|---|---|
| In Re: | ) | |
| | ) | |
| Application of Duke Energy Carolinas, LLC for Approval of Energy Efficiency Plan Including an Energy Efficiency Rider and Portfolio of Energy Efficiency Programs | ) | **CERTIFICATE OF SERVICE** |

This is to certify that I, Leslie L. Allen, a legal assistant with the law firm of Robinson, McFadden & Moore, P.C., have this day caused to be served upon the person(s) named below the **Duke Energy Carolinas, LLC's Supplemental Exhibits 1 and 2 to Responses to Southern Environmental Law Center Interrogatories and Requests for Production and Motion for Confidential Treatment of Selected Responses** in the foregoing matter by placing a copy of same in the United States Mail, postage prepaid, in an envelope addressed as follows:

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Columbia, SC 29211

Dated at Columbia, South Carolina this 9th day of January, 2008.

Leslie Allen

Leslie L. Allen